

Message Text

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70/12

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 SAM-01 SAJ-01 IO-14 AID-20 EB-11

CIEP-02 TRSE-00 STR-08 OMB-01 CEA-02 COME-00 AGR-20

DRC-01 /195 W

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R 050440Z JUL 74

FM USLO PEKING

TO SECSTATE WASHDC 2041

INFO AMCONSUL HONG KONG

AMEMBASSY MOSCOW

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

CINCPAC

C O N F I D E N T I A L PEKING 1128

C O R R E C T E D C O P Y - A D D E E S

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PFOR CH US ETRD OREP TW

SUBJECT: PRC VICE MINISTER OF FOREIGN TRADE MEETS CODEL
JACKSON MEMBERS

REF: PEKING 0828

SUMMARY: IN A MEETING WITH CODEL JACKSON MEMBERS, PRC
FOREIGN TRADE VICE MINISTER YAO YI-LIN HAS REPEATED
THE MESSAGE HE GAVE TO VISITING US GOVERNORS SIX WEEKS
AGO THAT SINO-US TRADE CANNOT REACH ITS FULL POTENTIAL
UNTIL THERE IS FURTHER PROGRESS IN NORMALIZATION OF
US-PRC RELATIONS. END SUMMARY.

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1. PRC VICE MINISTER OF FOREIGN TRADE YAO YI-LIN MET WITH TWO MEMBERS OF VISITING SENATOR HENRY JACKSON'S PARTY JULY 4 AND TOLD THEM THAT SINO-US TRADE WILL NOT BE ABLE TO REACH ITS FULL POTENTIAL UNTIL POLITICAL PROBLEMS BETWEEN THE TWO COUNTRIES ARE RESOLVED. SPEAKING TO CODEL MEMBERS STANLEY GOLUB AND CLARENCE MARTIN, YAO MADE IT CLEAR THAT HE WAS REFERRING TO TAIWAN AND THAT THE MAJOR PROBLEM WAS CONTINUING U.S. RECOGNITION OF THE ROC. IN THE ABSENCE OF A CHANGE IN THE U.S. POSITION ON TAIWAN, YAO SAID, CHINA WOULD BUY MANY PRODUCTS FROM THIRD COUNTRIES WHICH IT MIGHT OTHERWISE PURCHASE FROM THE U.S.

2. THE PRC IS AWARE, YAO SAID, THAT MANY U.S. PRODUCTS ARE THE BEST IN THE WORLD; THAT U.S. TECHNOLOGY IS SUPERIOR TO THAT OF ANY OTHER COUNTRY; AND THAT THE PRICE OF U.S. MACHINERY AND EQUIPMENT IS COMPETITIVE WITH THAT OF MACHINERY FROM OTHER COUNTRIES. AS AN EXAMPLE, HE SAID, CHINA IMPORTS TRUCKS FROM FRANCE EVEN THOUGH U.S. TRUCKS ARE BETTER. FRANCE HAS A CORRECT POLICY TOWARDS TAIWAN, HE SAID, AND THE PRC MUST CONTINUE TO GIVE PREFERENCE TO THOSE COUNTRIES WHICH HAVE A CORRECT POSITION ON TAIWAN, EVEN IF THEIR PRODUCTS ARE LESS COMPETITIVE.

3. REFERRING TO HIS EARLY MAY CONVERSATIONS WITH VISITING U.S. GOVERNORS (REFTEL), YAO RIDICULTED THE GOVERNORS FOR BRINGING UP SUCH PROBLEMS AS PACKAGING AND LABELING. THESE WERE PETTY MATTERS, HE SAID, AND HE COMPLAINED THAT THE GOVERNORS DID NOT SEEM TO UNDERSTAND THAT POLITICAL, NOT ECONOMIC PROBLEMS, ARE HOLDING UP FURTHER EXPANSION OF SINO-U.S. TRADE. THE IMPORTANT THING IS TO SOLVE THE POLITICAL PROBLEMS; ONCE THIS IS DONE THERE WILL BE A GREAT INCREASE IN TRADE.

4. YAO DID NOT MENTION THE SUBJECT OF MFN TARIFFS FOR CHINA DURING THE MEETING. LATER, AT USLO'S FOURTH OF JULY RECEPTION, MARTIN AND GOLUB ASKED YAO WHY HE HAD NOT RAISED THIS QUESTION. YAO REPLIED THAT FOR THE MOMENT MFN IS NOT AN IMPORTANT ISSUE. ONCE POLITICAL RELATIONS ARE NORMALIZED, AND TRADE BETWEEN THE U.S. CONFIDENTIAL

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AND CHINA INCREASES, THE MATTER OF MFN WILL EASILY BE RESOLVED. IN THE MEANTIME, IT IS NOT OF GREAT CONCERN.

5. COMMENT: THUS FOR A SECOND TIME IN ADDRESSING VISITING U.S. DIGNITARIES, YAO HAS HELD OUT THE CARROT OF EVEN GREATER TRADE IF SINO-U.S. POLITICAL RELATIONS CAN BE IMPROVED. THIS IS A STANDARD PRC BARGAINING TACTIC WHICH CHINA HAS IN THE PAST USED WITH OTHER COUNTRIES IN AN

EFFORT TO INDUCE POLITICAL CONCESSIONS. FOR EXAMPLE,
HINTS AND PROMISES OF SUBSTANTIALLY INCREASED TRADE WERE
ALSO GIVEN TO THE UK DURING ITS 1971-72 NEGOTIATIONS
FOR THE CLOSING OF ITS CONSULATE ON TAIWAN AND SUBSEQUENT
UPGRADING OF SINO-UK RELATIONS TO THE AMBASSADORIAL LEVEL.
BRUCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, FOREIGN RELATIONS, DIPLOMATIC RELATIONS ESTABLISHMENT, MFN, RECOGNITION, CODELS, VISITS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 05 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PEKING01128
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740180-0428, D740178-0349
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740772/aaaackca.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: PEKING 0828
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2002 by boyleja>; APPROVED <21 FEB 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRC VICE MINISTER OF FOREIGN TRADE MEETS CODEL JACKSON MEMBERS
TAGS: PFOR, ETRD, OREP, CH, US, TW, (JACKSON, HENRY M), (YAO YI-LIN), (JACKSON, HENRY)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005